

# INCLUSIVE STAKEHOLDERS APPROACH: BASIS FOR ACCEPTABLE AND SUSTAINABLE INDUSTRIAL RELATIONS ENVIRONMENT IN NIGERIA

*Ogundele, O.J.K., PhD*

Department of Business Administration & Management Technology, Lagos State University,  
Ojo

*O.T. Olajide, PhD*

Department of Business Administration & Management Technology Lagos State University,  
Ojo

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## Abstract

The paper highlights some of the several reforms put in place by the present Civilian administration. It tagged the administration, reforms regime. It contends that several of reforms have far reaching implications for the practice of industrial relations in Nigeria. It observes that the authors of the reforms assume away the impacts of these reforms on the various stakeholders in industrial relations in Nigeria. It highlights the dangers that are already rearing their ugly head as far as industrial relations practice is concerned. It proposes an inclusive stakeholders approach as way of promoting an acceptable and sustainable industrial relations environment in the reform regime. It contends that with this approach organizations or business firms have to be fair, accountable, responsible and transparent towards all stakeholders of the organizations or firms. It notes that the institutional landscapes from which the reforms were adopted for implementation in Nigeria differ considerably and this calls for some inbuilt strategy for sustainability of acceptable industrial relations practice.

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**Keywords:** Stakeholders, Industrial relations, environment, Nigeria

## Introduction

In the last three decades, Nigeria has been witnessing one reform or the other. The tempo however increased in the eighties when the country's economic problems became mountainous majorly as a result of the dwindling foreign exchange earnings and increasing

level of corruptions and other related issues. These reforms are generally designed for the purpose of achieving a number of macro-economic objectives. Their objectives include among others price stability, economic growth and healthy balance of payments. Incidentally most of these reforms do not adequately take cognizance of the industrial relations in the economy. If an economy is however plagued with their predicament (economic crisis, corruption, poor value judgement etc) and reforms to take care of them do not consider the main actor – man; Man as a factor of production is the life blood of any organization. Man can think, act and react and as a result any policy reform should take cognizance of this. The inclusive stakeholder approach to industrial relation presents the ethical or moral perspective of industrial relation based on African values system.

### **Conceptual Constructs**

**Industrial Relations:** Industrial Relations is concerned primarily with the relationships between employers and employee (workers) or workers organizations – trade union and sometimes involving a third party – government, such that the parties establish patterns of rules and procedures that regulate employment conditions. Salamon (2000) notes that industrial relations encompasses a set of phenomena both inside and outside the workplace, concerned with determining and regulating employment relationship. Akubiro (2004) notes that it is essentially a process of job regulation involving the study of the ways in which rules governing employment are not only established, but also changed, interpreted and administered. Added to these, it deals with all aspects of collective bargaining between employers and trade unions, industrial conflicts and the processes of government intervention in normal employment relations. Therefore, industrial relations is a focus on the parties and processes in which employment rules are made, interpreted and administered. It involves employers or employer's associations, government departments or ministries, and all other bodies that are connected with employment matters. Because the process of collective bargaining have played crucial role, since pre-independence era up to date, in making employment rules in Nigeria, it has been the major factor of discussions on industrial relations in Nigeria.

Earlier on Akpala (1983) notes that industrial relations is a collective function whose actors, include a hierarchy of workers, a hierarchy of employers and the government and or its agencies. This paper is taking a different approach from the general pattern. It is focusing not on big not only on organizations that are central to any discussion on collective bargaining, but it is also concerned with indigenous employers in the small scale

organizations or entrepreneurs and their relations with their workers, sometimes within the framework of government regulations, governing employment relations. However, it will be necessary to briefly examine some theoretical perspectives or approaches to industrial relations, in general, as launching pad for further discussion in this paper.

### **Approaches to Industrial Relations**

There are several approaches or perspectives of viewing industrial relations. Salamon (2000) notes that all the approaches involve a mixture of assumptions and convictions, that is, implicit socio- political or ethical values and beliefs. They also involve descriptions, explanation and prediction, that is, discussion or analysis of what is and proposition of how it might develop. And they also involve prescription that is, suggestion of what ought to be done or how it ought to be done to achieve desired objectives. The mixture of assumptions, description and prescription, will be employed as analytical method of discussions the practice of industrial relation of both big and small scale organizations based on empirical evidence in Nigeria. Three approaches, unitary, pluralistic and Marxist out of several others will be focused upon in this paper because of their relevance in varying degrees to both big and small organizations.

#### **Unitary Perspective**

Ejionye (1983) notes that the unitary approach or frame of reference is a management ideology which regards the company or the organization as comparable to a family unit in which there is common goal and a common interest pursued by every member.

Salamon (2000) states that the unitary perspective assume the organization is or should be an integrated group of people with a single authority or loyalty structure and a set of common values interest and objective shared by all members of the organization. Management prerogative is regarded as legitimate, rational and accepted and any opposition to it, formal or informal, internal or external is seen as irrational.

#### **Pluralistic Perspective**

This perspective views society as being post capitalists that is a relatively widespread distribution of authority and power within the society, a separation of ownership from management and a separation, acceptance and institutionalization of a political and industrial conflict, (Salamon, 2000).

**Table 1: Unitary Pluralistic and Marxist Approaches**

	<b>Unitary</b>	<b>Pluralist</b>	<b>Marxist</b>
Assumptions	- Capitalist -Integrate group of people -Common values interests and objectives	Post-capitalist society Coalescence of sectional groups Different values interests and objectives	Capitalist society Division between labour and capital Influence and inequalities in society (e.g power, economic wealth)
Nature of conflict	-Single authority & loyalty structure (Managements) -Irrational and Frictional	Competitive authority and loyalty structures (formal and informal) Inevitable rational and structural	Inherent in economic and social systems Disorder Precursor to change
Resolution of conflict	-Coercion	Compromise and agreement	Change society
Role of trade unions	-Instruction from outside -Historical anachronism -Only accepted in economic relation (if forced)	Legitimate Internal and integral to work organization Accepted role in both economic & managerial relations	Employee response to capitalism Expression and mobilization of class consciousness Develop political awareness and activity

**Sources: Salamon, M. (2000, 6) Industrial Relations Theory and Practice 4<sup>th</sup> Edu. London: Pearson Education Ltd.**

Salamon (2000) notes that industrial relations should be viewed not just as simple organizational job regulation terms but in broader social, political and economic terms – it is integrated with and not separated from the political and economic spheres. Earlier on, Lawal (1993) notes that industrial relations is more than issues such as trade unionism, collective bargaining or strikes, but investment by the National Council on Industry.

Ejioye (1983) calls this approach the managerial philosophy resulting in industrial conflict that produces workers protest and strikes. Salamon (2000) notes that this perspective assumes that the organization is composed of individuals who organize themselves into a

variety of distinct sectional groups, each with its own interests, objectives and leadership. The organization is thus multi-structured and competitive in terms of leaderships, authority and loyalty within the groups. Consequently there is a complex of tension and competing claims which is managed in the interest of maintaining a viable collaborative structure. Conflicts that often result represent total range of behaviours and attitudes that express opposition and divergent orientation.

### **Marxist Perspective**

It contends that in capitalist societies, the state is always on the side of the employer in an effort to protect the interest of those who own other means of production except labourer. This perspective sees the processes of the institution of joint regulation as enhancement rather than reduction in management position, that at best, they give only limited and short – term accommodation of the inherent and fundamental division within the capitalist based work and social structures (Salamon, 2000). Therefore, the growth of trade union is seen as an inevitable employee's response to capitalism. The trade unions not only enhance collective industrial power by reducing competition between individual workers but provide a focus for the expression and protection of the interests of the working classes. Table 1 above provides the basic assumptions of each of these perspectives, nature of conflict generated, their resolution and the role of trade union.

### **Institutional Framework of Industrial Relation**

From the discussion on industrial relations it should be noted that the parties and institutions that are involved in industrial relations include trade unions, employers association, government regulation, collective bargaining machinery, dispute settlement machinery, joint consultation and single employer regulation machinery.

It is to be noted that this paper, most importantly focuses on both big organizations and the single employer regulation machinery. The single employer regulation machinery refers to the small business owners. They regulate their place of work with little interference from outside. But they ensure that they obey or operate within government regulation which affects them.

### **The Small Business Employer and Employee Relations**

In his study of indigenous entrepreneurs in Nigeria Ogundele (2000) employed a combination of questionnaire, case study and observation method of data collection to

enhance the quality of information obtained. From this study he was able to obtain information on employment and employee relations which is examined in this paper. However, several other sources that focused on entrepreneurial organizations, consulted in the course of writing this paper do not have relevant practice of small business organization. Based on his analysis some issues were highlighted as follow:

Entrepreneur organizations however, are paternalistic and fraternalistic and the entrepreneur dominate the relation between owners or managers and workers. This tends to minimize conflict because of the close contact between the boss and employee and the use of face-to-face mode of communication.

The various reforms in the financial industry in the public sector, in trade union organization etc have rendered otherwise strong and effective relation system in Nigerian big organization unstable, very weak and on shaky grounds. There are very few strong unions to fight for the course employers. In general the employment situation is gradually becoming employer dominated environment. This is similar to the features in small entrepreneurial organizations. The industrial relation environment with several reforms that have negatively affected the strength of the working class, calls for some measures that will create sustainable and enduring industrial relations. The way out is the inclusive stakeholders approach to industrial relation.

### **Inclusive Stakeholders Approach**

Inclusive stakeholders refer to all parties who are affected by or who affect an organization. When applied to industrial relations inclusive stakeholders approach refers to all parties who are affected by or who affect the practice of industrial relations. From this perspective industrial relations gains a distinctively ethical character. Within this notion of industrial relation, directors are expected to take on stewardship role and consequently have to be fair, accountable, responsible and transparent towards all stakeholders of the company. These shareholders include, management, employees, governments, local, state and federal, and the general society. This means that the interests of shareholder are not excluded but are balanced with the interests of other stakeholders.

Rossouw (2002) notes that this does not imply that profit – optimization is abandoned as a corporate objective. In Germany and Japan more inclusive stakeholder approaches, to corporate governance, resulted in improved financial performance and profit maximization. People can express concerns about the viability of the inclusive stakeholders approaches, they may fear that responsibility towards all stakeholders can result in a lack of corporate focus

and consequently in financial ruins. The suggestion of the inclusive stakeholders approach is based on the African culture of good neighbourliness with enhanced benefits for corporate existence.

### **Expression of Conflict**

Consequent upon the internal structuring of the entrepreneurial organization, it is relatively unusual to have strikes. This is due firstly, to the close interaction with the boss. Secondly, due to the fact, as noted by Boer, *et al* (1997) that numbers with common interests are small and trade unions may be unable or unwilling to organize workers, in the absence of trade union support, collective action is hard to carry out.

### **Values Orientation**

A number of issues are involved in the inclusive stakeholders approach to industrial relations. These are societal values and corporate reputation.

### **Sustainability**

An inclusive stakeholder approach to industrial relations is to be guided by the ideal of corporations with “sustained business success and steady long-term growth in share owned valued”. Boards are advised to identify their key stakeholders and determine what expectations these stakeholders have of the company in terms of industrial relations.

### **License to Operate**

Rossouw (2002) notes that a company needs more than legal approval to continue its operations. It requires being legitimized by its stakeholders and community in which it operates. The continuing process of being legitimized by its stakeholders is referred to as the company’s license to operate. This means that the license to operate is earned through responsible behavior that demonstrates to its stakeholders that the company’s existence is to the mutual benefit of the company and all its stakeholders. The stakeholders licensing corporations include the state, media, ethical pressure groups, consumers, employees and communities.

### **Social Power**

This refers to the influence of corporations in society. Today’s corporations do have a more immediate presence and more immediate impact on citizens than the state. They often,

for example, determine to a reasonable degree than the stage the quality of individual and community life. This increase in the social power and influence of corporations results in added responsibilities for the boards of companies. The result is that if boards of companies do not take explicit charge of the added responsibilities that go with their social power, they will be forced by the state to take responsibility, or they will have to bear the brunt of the resentment of special interest groups the media or local communities (Rossouw, 2002).

Ogundele (2005) provided illustrative example of coercive enforcement of social responsibility obligations on corporations and small business operators in Nigeria. These are particularly noticeable in the Delta area and Lagos metropolis. Therefore, the stakeholders who confer social power on enterprises, just as in the case of license, to operate include; the state, investigative media, ethical pressure groups, consumers, employees and communities. In the present age of electronic information and activism, no enterprise can escape the adverse consequences of poor industrial relations.

### **Good Corporate Citizenship**

This means that it is important for companies to act as good corporate citizen within the society. Good corporate citizenship does not only mean respecting laws and human rights and restraining from discrimination and exploitation. It also entails strengthening and developing the societies within which companies operate. Companies are, therefore, expected to be involved in highly needed developmental issues in the contexts where they operate.

Those issues that have direct bearing on the success of the companies should be addressed specifically. Rossouw (2002) notes that in South Africa, three areas namely; Black Economic Empowerment to facilitate a more equitable distribution of wealth. Health: HIV/AIDS was signed out as a challenge since it affected about 20% of South African's economically active population. Human Development: Developing human capital is considered a high priority.

### **National Economic Empowerment and Development Strategy**

The (NEEDS) document in the case of Nigeria also cover the issues listed as issue of focus in South Africa e.g. empowering youth and women, human capital development, health and values reorientation.

Rossouw (2002) notes that strong sustainable companies require strong and sustainable societies to survive and prosper. Therefore, constructive responses to these developmental needs of the society require that companies should form partnerships with



communities, local, state and national governments and other stakeholders in order to be effective. Thus responsibility for good acceptable and sustainable industrial relations lies with the board of directors.

### **Societal values**

An inclusive stakeholder approach to industrial relations centres around the societal value system within which corporate governance is designed and operated. It is felt that there is no one universally valid industrial relations system. Industrial relations systems should, therefore, reflect the uniqueness in the societies in which they operators originate, as a result, specific reference should be made to value system that Africans across African continent embrace.

Rossouw (2002) the case of South Africa refers to the system as Ubuntu which means a commitment to co-existence, consensus and consultation. Such an orientation would make exclusive focus on shareholders' interests impossible as it would fly in the face of values such as co-existence, consensus and consultation.

### **Corporate Reputation**

This inclusive stakeholder approach to industrial relations is also based upon the importance of corporate reputation. It argues that directors have the obligation of protecting company assets. The assets include both physical and symbolic assets of the companies. The symbolic assets is the reputation of the enterprise, it impacts on its market valuation as well as on its ability to attract investment, clients, and competent employees. Reputation from this dimension is a function of a company integrity and efficiency (Rossouw, 2002). Therefore, an enterprise is expected to engage on regular basis with stakeholders in order to measure what their current perceptions of the company are. The previous five issues that are examined above maintained a balance between the interest of the company and those of its stakeholders, the argument on reputation is essentially concerned, about the company's reputation in order to protect its own assets.

Although it is less oriented towards the interests of stakeholders, it also serves as a motivation for opting for the inclusive stakeholder approach to industrial relations (Rossouw 2002).

It is to be noted that the various reforming inducing the commercialization and privatization of public enterprise calls for some form of structures to guide industrial relation practice. The following recommendations are suggested based on ethics in industrial elations.

1. Determining stakeholder perceptions and expectations of the company
2. Codifying ethical standards of the company
3. Institutionalizing ethics on strategic and system levels of the company
4. Monitoring ethics performance
5. Communicating about and training on ethics
6. Providing ethical conduct and or disciplining unethical conduct
7. Providing safe systems for reporting unethical or risky behavior
8. Accounting and auditing ethical performance
9. Disclosing ethics performance to stakeholders

## **Conclusion**

The inclusive stakeholder approach to industrial relations is essentially an ethical approach. This approach is expected to benefit from the broader African concept of good neighbourliness which is based on ethic, whose central philosophy is fairness, accommodation, responsiveness and transparency in social dealing. The translation of this philosophy to industrial relation practice in the reform regime, which is causing major dislocations in industrial relation practice is expected to promote acceptable and sustainable industrial relations practice in Nigeria.

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